

**NEW ORLEANS REDEVELOPMENT AUTHORITY**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON**  
**APPLYING AGREED-UPON PROCEDURES**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/11/09



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**INDEPENDENT ACCOUNTANT'S REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES**

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To the Board of Commissioners  
**New Orleans Redevelopment Authority**  
New Orleans, LA

We have performed the procedures enumerated below in accordance with our engagement letter dated September 18, 2008.

The procedures were agreed to by management of **New Orleans Redevelopment Authority (NORA)** and the Legislative Auditor for the State of Louisiana, solely to assist users in evaluating compliance with selected aspects of **NORA's** internal control system over financial and programmatic reporting.

Management of **NORA** is responsible for compliance with those requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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Our procedures performed and findings including management's response follow:

**PROCEDURE**

- o Review all bank account reconciliations for completeness to include the timely preparation and supervisory review;

**(2008-03-01)**

**Finding**

We reviewed all bank account reconciliations prepared for the months of January, February and March 2008, noting the following:

- o All bank account reconciliations except in one (1) instance were prepared in a timely manner (within thirty days of month-end);
- o Noted evidence of supervisory review above the preparers level. However, the initials of the reviewer did not include the date the review was performed; and
- o The Revolving Fund bank account reconciliations for the months of January through March 2008, reflected beginning balances per the reconciliation that did not agree to the general ledger balances for the referenced months. This condition is a carryover from prior year.

**Management's Response**

Management's goal is to have all bank accounts reconciled on a timely basis. The process also includes the timely resolution of out-of-balance conditions, if any. Currently, the review process includes dating the reviewed document.

The revolving fund bank account condition described above will be resolved before the issuance of the 2008 audit.

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**PROCEDURE**

- o Review completeness of financial statements prepared as of and for the quarter ended March 31, 2008.

**(2008-03-02)**

**Finding**

For three (3) selected cash receipts deposited into NORA's designated program bank accounts, we noted agreement between the source documents and the general ledger. Noted in one (1) instance where a cash receipt was not available for our review to support the funds received.

Noted the timely deposit of funds received via comparison of the date evidenced on the validated deposit coupon to the bank statement without exception.

Furthermore, we noted the lack of an established procedure to ensure the continued reconciliation of the numerical sequence of all manual receipts issued for funds received as a part of the monthly financial transactions closing process on a consistent basis.

Our review of NORA's intra bank transfer process revealed the lack of evidence to support supervisory review and/or approval beyond the level of the preparer and execution of the intra bank transfer transactions.

For twenty-five (25) transactions randomly selected and reviewed for completeness, we noted the following conditions:

- o One (1) instance where the invoice and supporting documents were not cancelled as per the requirements of NORA's contract with the City of New Orleans;
- o Three (3) instances where evidence of approval to process payment was not apparent;

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**(2008-03-02)**

**Finding, Continued**

- o Four (4) instances where the procurement documents were not available for our review to support the basis and type of procurement method utilized;
- o Three (3) instances where the supporting documents were not available for our review; and
- o One (1) instance where cost charged was for expenses incurred in 2007 and not accrued in the December 2007 cost report submitted to the City of New Orleans.

For journal entries prepared and posted for the months of January through March 2008, we noted no evidence of supervisory review and/or approval prior to input into the general ledger. However, we noted supervisory approval subsequent to the posting of the journal entries based on attached supporting documents.

Noted no evidence to support the timely and periodic review of the adequacy and continuous collateralization of funds held by NORA's bankers in excess of the Federal Deposit Insurance Corporation's limit.

Certain significant subsidiary general ledger accounts such as payroll, acquisition payable, inventory, etc. were not reconciled or properly reconciled to their respective general ledger control accounts and differences if any, resolved.

Management was unable to provide us with a policy to evidence procurement of bonding coverage.

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**(2008-03-02), Continued**

**Management's Response**

Management has revised its existing procedures in 2009 to ensure that all funds received are evidenced with a written receipt. Also, management has initiated a process to ensure the monthly and timely reconciliation of the numerical sequence of a manual receipts issued for funds received.

Currently, all bank transfers require the review and/or approval beyond the level of the preparer.

Evidence of collateralization beyond the FDIC limit is mailed to the Director of Finance on a monthly basis. Current procedures include signing off that information to evidence review.

Also, management is in the process of securing bonding coverage.

**PROCEDURE**

- o Review budgeted to actual variance reports for all programs ended March 31, 2008.

**(2008-03-03)**

**Finding**

Noted no material variances between budgeted to actual cost reports prepared for management.

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(CONTINUED)**

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**PROCEDURE**

Review completeness of cost reports prepared and/or submitted to the City of New Orleans.

**(2008-03-04)**

**Finding**

Noted no material variances between the amounts reported on cost reports prepared and submitted to the City of New Orleans for the months of January through March 2008 to the respective general ledger amounts.

For the programmatic reports submitted for the months of January through March 2008, we noted that the supporting documentation provided to the City of New Orleans based on our review for item 8 of Attachment IV (Monthly Reporting Requirements), was incorrect.

**Management's Response**

A compliance manager has been hired to oversee compliance with laws, regulations and contracts.

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**PROCEDURE**

- o Review all quarterly tax filings for completeness and timeliness in submission.

**(2008-03-05)**

**Finding**

Reviewed the quarterly Internal Revenue Service (IRS) Form 941 (Employer's Quarterly Federal Tax Return) and State of Louisiana Employer's Quarterly Wage and Tax report noting the timely filing of the returns.

Noted a difference of \$3,396 between the total wages as evidenced on the filed IRS form 941 of \$265,841.85 to the payroll register amount of \$262,445.92.

**Management's Response**

Management is working on a resolution to the difference noted between its payroll register and filed IRS form 941. Anticipated resolution date is June 30, 2009.

**PROCEDURE**

- o Review all land banking and other land acquisitions and/or donation activities to ensure accurate and timely identification and recordation of all real property transactions.

**(2008-03-06)**

**Finding**

Noted no material land banking and acquisition activity for the quarter ended March 31, 2008.



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**PROCEDURE**

- o Review the current status of all prior year's audit findings and other matters.

**(2008-03-07)**

**Finding**

The following is a status of all prior year's audit findings and other matters.

**Current Status of Prior Year's Audit Findings and Other Matters**

<b>AUDIT</b>				
<u>Reference Number</u>	<u>Description</u>	<u>Not Resolved</u>	<u>Partially Resolved</u>	<u>Resolved</u>
2007-01	Implementation of a design and operation of internal control to safeguard and protect the assets of NORA.		X	
2007-02	No evidence to support compliance with the technical assistance workshop attendance component of NORA's contract with the City of New Orleans.		X	
2007-03	The December 2007 cost report needs to be restated as a result of an audit adjustment for \$356 representing an overstatement in expenses charged to the CDBG grant in 2007.			X

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(2008-03-07)  
Finding, Continued

**Current Status of Prior Year's Audit Findings and Other Matters, Continued**

**AUDIT, CONTINUED**

<u>Reference Number</u>	<u>Description</u>	<u>Not Resolved</u>	<u>Partially Resolved</u>	<u>Resolved</u>
2007-03	Cash disbursements revealed an instance where cost incurred was inadvertently misclassified on the cost report submitted to the City of New Orleans.		X	
2007-04	We noted the absence of the three (3) bids as required in the procurement of various items. (See finding reference number 2008-03-02)	X		
2007-05	Policies and procedures should be fully implemented to ensure the adequate protection and safeguarding of NORA's assets.		X	
2006-01	Considering the size of NORA, the important elements of internal control and segregation of duties cannot always be achieved to ensure adequate protection and safeguarding of NORA's assets.		X	

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(2008-03-07)  
Finding, Continued

**Current Status of Prior Year's Audit Findings and Other Matters, Continued**

**AUDIT, CONTINUED**

<u>Reference Number</u>	<u>Description</u>	<u>Not Resolved</u>	<u>Partially Resolved</u>	<u>Resolved</u>
2006-02	<p>Untimely preparation of account analysis to include the necessary reconciliation of significant subsidiary general ledger accounts to their related general ledger control accounts; such as acquisition payable, sales, inventory, and deferred revenues to include resolution of any unreconciled differences between the subsidiary and general ledger accounts. (See finding reference number 2008-03-01)</p> <p>Bank account reconciliations for all programs managed by NORA for the month of December 2006 lacked evidence of supervisory review beyond the preparer.</p>	X		X
2006-02	<p>Journal entries prepared and posted were not subject to any supervisory review and approval to ensure propriety as well as minimize the potential for misappropriation of assets.</p>		X	

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(2008-03-07)  
Finding, Continued

**Current Status of Prior Year's Audit Findings and Other Matters, Continued**

**AUDIT, CONTINUED**

<u>Reference Number</u>	<u>Description</u>	<u>Not Resolved</u>	<u>Partially Resolved</u>	<u>Resolved</u>
2006-02	Unable to ascertain the detail composition of the acquisition/ appraisal payable account in the amount of \$92,059 at December 31, 2006.			X
	Also, included in the "NHIF" program is an amount for \$11,136 described as "miscellaneous". We were unable to ascertain the basis for the charges.	X		
2006-03	Lack of a procedure to ensure the timely preparation and submission of all required reports.			X(1)
98-3 and 97-1	Interfund advances not being reimbursed by the borrowing fund in a timely basis nor are interfund activities reconciled on a monthly basis.		X	

(1) The timely submission of reports to the City of New Orleans is impacted by its contract execution date with NORA.

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(2008-03-07)

**Finding, Continued**

**Current Status of Prior Year's Audit Findings and Other Matters, Continued**

**OTHER MATTERS**

**CONDITION**

- o The revolving fund bank account reconciliation for August 2007 prepared by NORA's previous fee accountant, had an incorrect check dated for September 5, 2007, instead of August 31, 2007 the date of the bank draft;
- o Two (2) bank accounts one each for the Shelter Plus and Moderate Rehabilitation Programs (closed programs) have not been formally closed;
- o Lack of specific evidence to support review and approval of all journal entries at levels above the preparer. It is our understanding that as a part of the monthly financial statements preparation process, all transactions are reviewed through the Quick Books Pro Software System by the Director of Finance and Administration.
- o No established dollar threshold for authorized check signers;
- o No performance of verification of mathematical accuracy of paid invoices in seven (7) of twenty (22) transactions tested;
- o Two (2) of twenty-two (22) transactions reviewed, did not agree to the supporting documents as a result of handwritten changes; and
- o In five (5) instances (for which payments were made via bank drafts) of forty-one (41) transactions reviewed, we noted no report and/or approval for the expenses. Furthermore, the required supporting documentations were not available for our review.

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**Current Status of Prior Year's Audit Findings and Other Matters, Continued**

**OTHER MATTERS, CONTINUED**

(2008-03-07)

**Finding, Continued**

**Current Status**

Partially resolved.

**CONDITION**

No monthly reconciliation was performed on certain significant general ledger accounts such as prepaid acquisition, unimproved land inventory, interfund activity, etc. Also, no reconciliation was performed between the cash receipts log maintained in the Program department to the bank reconciliation, revenue subledger and general ledger control account.

**Current Status**

Partially resolved.

**CONDITION\***

No established policy and/or procedure regarding compliance with the State of Louisiana's escheat law.

**Current Status**

Not resolved.

\*Repeat

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**Current Status of Prior Year's Audit Findings and Other Matters, Continued**

**OTHER MATTERS, CONTINUED**

**(2008-03-07)**

**Finding, Continued**

**CONDITION**

In three (3) of eight (8) transactions reviewed, we noted the untimely deposit of cash collected.

**Current Status**

Resolved.

**CONDITION\***

Currently, **NORA** does not have a formal written policy to address its custodial credit risk that results from deposits of funds held by others on its behalf in excess of \$100,000 (Federal Deposit Insurance Corporation limit). However, **NORA** maintains a collateral agreement with its banker and reviews its adequacy on a periodic basis.

**Current Status**

Not resolved.

**CONDITION**

Our testing of seventeen (17) transactions revealed the following conditions:

- No evidence to support verification of the mathematical accuracy of invoices paid;

\*Repeat

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**Current Status of Prior Year's Audit Findings and Other Matters, Continued**

**OTHER MATTERS, CONTINUED**

**(2008-03-07)**

**Finding, Continued**

**CONDITION, CONTINUED**

- Invoices provided were not stamped "paid" as required by NORA's contract with the City of New Orleans;
- Inadequate documentation to evidence compliance with procurement requirements in accordance with NORA's contract with the City of New Orleans; and
- The Blighted Properties Program bank account reconciliations for December 2006 listed an item dated November 30, 2005 for \$4,502.24 that remains outstanding at December 31, 2006.

**Current Status**

Partially resolved.

**CONDITION**

A listing of authorized check signers on NORA's bank accounts provided to us by NORA's banker, included the names of a former Commissioner and director.

**Current Status**

Resolved.



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**Current Status of Prior Year's Audit Findings and Other Matters, Continued**

**OTHER MATTERS, CONTINUED**

**(2008-03-07)**

**Finding, Continued**

**CONDITION**

Our review of Internal Revenue Service (IRS) form 941 (Employer's Quarterly Federal Tax Return), State of Louisiana Employer's Quarterly Wage and Tax report, and IRS form W-3 (Transmittal of Wage and Tax Statements) revealed differences between the payroll records and filed forms.

**Current Status**

Not resolved. (See finding reference number 2008-03-05)

**CONDITION**

The prepaid acquisition cost subsidiary ledger prepared to support the general ledger amount of \$167,511.47 (detail of all property acquisition deposits by prospective buyers), reflects individual buyer balances contrary to the account's normal balance.

**Current Status**

Partially resolved.

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We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on NORA's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

NORA's response to the findings identified in our agreed-upon procedures is described in this report under the caption "Management's Response" or "Current Status". We did not perform any procedures on NORA's response and, accordingly, we express no opinion on it.

This report is intended solely for your information, and use of the Board of Commissioners, management and others within NORA, Legislative Auditor, State of Louisiana and the City of New Orleans, and is not intended to be, and should not be used by anyone other than those specified parties.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

December 18, 2008